Leonard F. Giordano, William L. Glickman, Fred Goldman, Spurgeon T. Gotwalt, John D.G. Grant;

Barton H. Greenberg, Shelly M. Greene, Lewis G. Gunn, William C. Haberstroh, Joseph F. Hacker, Jr., Robert W. Hemperly, Dallas C. Hess, Garth N. Huckins, Theodore F. Jarvis, Irving Kanefsky, Chester L. Karwanski, William Kasler, Eugene E. Katz, Frank J. Keating, Martin H. Kiefer, David Klebanoff, Milton Klempart, William J. Klink, Bertnard Kreshtool, Aaron Kuby, Theodore Kurta, Frank H. Laedlein, Albert V. LaRocca, Leroy P. Leahy, Charles J. Lentz, Joel G. Lippe, Marshall K. Ludwig, John H. McCutcheon, Walter E. Magann;

Herman D. Marggraff, C. Robert Martin, Paul D. Mattern, Perry M. Matz, Jack B. Metzger, Harry Mildvan, Frederick J. Monaghan, Sylvan Morein, Robert D. Moyer, Charles A. Nagle, Jr., John H. Nelson, Samuel S. Novich, Edward J. O'Donnell, Sidney B. Parmet, Samuel J. Paul, Daniel E. Pfeil, Richard Pitel, Erwin P. Plotnick, Irwin J. Plotnick, Arthur J. Ravage, Edward F. Reichert, Richard E. Reut, George Richterman, Charles W. Riley, Carmen Riviello, Vincent J. Roach, Homer G. Robinson, Richard A. Ross, John A. Rusch, Baxter B. Sapp, Jr.;

Bernard Sarnow, Harry L. Schiff, Burton Schwartz, Samuel J. Schwartz, Lambert Seltzer, George M. Shopp, Daniel H. Shuck, Joseph P. Skellchock, H. Norris Smith, Thomas J. Smith, Joseph A. Solecki, Jr., Stephen S. Soltis, Gilbert A. Stegelske, Frank D. Summers, Gerald O. Sveen, Earl R. Thomas, Jr., David N. Thompson, James A. Turner, Edward A. Walinchus, John W. Weaver, William C.V. Wells, Jr., Fritz D. Yealy, Donald W. Zahnke, John E. Zerbe, and Louis Zislis.

Mr. Speaker, I am pleased to call to the attention of the House of Representatives the 50th anniversary of the Class of 1951 of the Dental School of Temple University, and I wish them all the best.

DEATH TAX ELIMINATION ACT OF 2001

SPEECH OF

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 4, 2001

Mr. LAFALCE. Mr. Speaker, I strongly oppose today's bill, which is a clumsy attempt to implement a bad idea. Complete repeal of the estate tax—a tax that by 2005 will affect only the wealthiest 1% of all decedents in the United States—is a bad idea. It marks a major step away from tax fairness, and greatly undermines our ability to address pressing federal needs. The clumsiness comes in the Republicans' attempt to hide the true costs of estate tax repeal, as well as their efforts to limit these costs through a complicated capital gains tax scheme.

As a result, not only do those who believe in tax fairness and fiscal responsibility have good reason to strongly oppose this bill, but even those who believe in estate tax repeal have grounds to reject this plan. We can make the estate tax more fair by immediately raising the exclusion limits on estates. But to repeal the tax altogether would be tremendously unfair to the 99% of Americans who will shoulder the costs.

A BETTER WAY TO REFORM THE ESTATE TAX

As a small business advocate, I have long supported proposals to raise the exclusion limits on estates subject to taxation. A very small number of family businesses and farms (just 4% of estate tax revenues come from small businesses, and just ¼ of 1% come from family farms) currently face onerous tax burdens as a result of the estate tax. While their numbers are small, these ''middle class'' family businesses and farms deserve relief from the estate tax.

And in fact, we have already made considerable progress in this effort: under current law, only the wealthiest 1% of estates will face any tax whatsoever by 2005. Under the Democratic alternative to today's bill, just 0.5% of all decedents would be subject to the tax. This 0.5% of estates would be composed exclusively of the very, very wealthy.

ESTATE TAX REPEAL IS UNFAIR

When fully implemented, the Republican plan to repeal the estate tax would provide $662 billion of tax relief to the wealthiest 1% of Americans. By any measure, that's a lot of money. But to put it in some perspective, consider how this tax cut compares to some of the Administration's spending priorities. The President has made education funding his to budget priority, yet provides only $41 billion in new funding over the next decade for education programs—and even that amount is inflated (unspecified targeted cuts in some education programs will reduce this gross figure). At the same time, the President has called for a new prescription drug benefit for seniors, but has allocated just $110 billion over ten years for it, far below any reasonable estimate of the program's true cost. In both cases, the President has devoted far more lip service than dollars to pressing national needs. Importantly, both priorities could be fully funded with the revenues lost to estate tax repeal.

It is rarely popular to promote the virtues of any tax. Nonetheless, that is just what some of the nation's wealthiest individuals effectively did recently in publicly opposing estate tax repeal. The likes of Bill Gates, Warren Buffet, and George Soros worry about the effects of repeal, arguing that the repeal will discourage and virtually eliminate substantial amounts of charitable giving, an will exacerbate the concentration of our nation's wealth in the hands of just a few families.

Concern about the concentration of wealth is particularly appropriate in recent years. Over the past decade, after-tax income for the wealthiest 1% of Americans grew by a stunning 40%, while after-tax income gains for the bottom 90% averaged just 5%. In the face of this growing income disparity, we are about to further advantage the wealthiest 1% with a $660 billion estate tax bonus. Today's bill is by far the most unfair and regressive element of the aggregate Republican tax package. but it is important to note that 40% of American families—those earning less than $27,000—will receive virtually no benefit at all from any of the Republican tax cuts, whether rate reductions, so-called marriage penalty relief, or expansion of the child tax credit.

These families are excluded from the Republican plan, not because the don't pay any taxes; in fact, all of them pay substantial federal taxes through the payroll tax, and for many, these taxes are onerous. These taxpaying families are excluded from the Republican's tax relief simply because the Republicans chose to aware the lion's share of tax relief to the very wealth. Yet, the 40% of families excluded from the Republican plan are the same taxpayers whose incomes have barely registered a gain in the midst of a decade-long economic expansion. Again, they—40% of all American families, those at the bottom—get nothing.

A CLUMSY ATTEMPT TO LIMIT REVENUE LOSSES

The Republicans faced a funding dilemma in crafting this legislation—they have already promised too much tax relief to wealthy Americans in other tax bills and have run out of room in their own budget to pay for estate tax repeal. As a result, they have resorted to a scheme that hides the true costs of repeal, while also attempting to recover some of the revenue losses through new capital gains taxes.

The drafters of this bill have back loaded its costs so that the true cost of repeal falls outside the 10-year budgetary window. They accomplish this by phasing in repeal at a snail's pace through 2011, and then quickly implementing complete repeal in the following year. As a result, the cost of this bill through 2011 is $193 billion; yet, if it were implemented immediately, the cost would skyrocket to $662 billion. Due to backloading, the same family businesses and farms that would benefit almost immediately from the Democratic plan to raise estate exclusion limits would continue to pay substantial estate taxes for the next ten years under the Republican plan.

But even cost backloading was not enough to limit the 10-year revenue losses from the Republican bill. In order to find more cost savings, the bill's drafters decided to shift the capital gains treatment of taxable estates from a ''stepped up'' basis to a ''carryover'' basis. Under current law, heirs are subject to capital gains taxes on estate assets sold based on the value of these assets when they were transferred from the decedent (''stepped up'' basis). Under this bill, heirs would be subject to capital gains taxes based on the value of these assets when they were purchased by the decedent (''carryover'' basis). The fatal flaw of this change lies in its complexity. In 1976, Congress passed legislation shifting from a stepped up basis to a carryover basis on estate assets, but the plan was abandoned before it could take effect. Congress repealed the 1976 tax change in 1980 after realizing that the change was unworkable and would impose an unacceptably large administrative burden on estate planners, heirs, and the Treasury Department.

There is a way out of this mess for the Republicans. They should adopt the Democratic alternative, which immediately raises the exclusion for estates to $2 million ($4 million per couple). By 2010, these exclusions would rise to $2.5 million ($5 million per couple). Such changes would appropriately target the estate tax to very wealthy estates and would do so almost immediately, not ten years from now. Raising exclusion limits would retain the core progressivity of our tax code while limiting revenue losses.

SALUTING MT. WHITNEY HIGH SCHOOL STUDENTS

HON. WILLIAM M. THOMAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 24, 2001

Mr. THOMAS. Mr. Speaker, I am pleased to have this opportunity to honor three students,